



Grupo Sanborns

Annual Report
2017

Corporate Profile

Grupo Sanborns is a leader in the Mexican retail market. The Company has a unique portfolio of formats including departmental, specialty stores, electronics and entertainment, convenience, luxury and restaurants. With highly recognized brand names -Sears, Sanborns, iShop-MixUp, Dax, Sanborns Café and Saks Fifth Avenue-, we operate 443 stores in 56 cities in Mexico and Central America, equivalent to a commercial area of nearly one million 207 thousand square meters. In addition, we provide financing to 3.9 million customers by our proprietary credit cards.

Mission, Vision and Values

Mission:

To offer our customers the highest quality in products and services, at the right price and environment, through the best personalized sale experience; thus, looking for the greatest client' satisfaction. At the end, our customers are *raison d'être*.

Vision:

To consolidate and maintain the leadership of our Group in the market by integrating the needs of our clients, personnel, suppliers and shareholders.

Values:

- **Work:** It is a principle of personal and professional development and emotional satisfaction when considered as a vehicle from which we may have our needs satisfied, grow as individuals, and serve others.
- **Growth:** Our skills and knowledge benefit from growth, which translate into our and the Group's capacity to offer more and better products under an excellent atmosphere of service to our customers.
- **Social Responsibility:** This concept symbolizes the need to perform our work well, in order to confirming our ethical values, fulfilling the commitment we have with our clients and suppliers, as long as observing applicable regulation and taking care of natural resources and the environment.
- **Efficiency:** Being austere, caring and efficiently using the resources we have, together with spending on what is necessary and avoid the useless or superfluous, represent the best way over which we understand and practice efficiency within our businesses.

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KEY FINANCIAL INFORMATION

(Thousand Pesos at December 31 of each year*)

GSanborns	2015	2016	2017	Var%
Total Sales	44,413,058	47,593,847	49,768,427	4.6%
Retail Sales	41,482,002	44,411,275	46,158,968	3.9%
Credit Income	2,931,056	3,182,572	3,609,459	13.4%
Gross Profit	17,475,621	18,922,460	19,723,561	4.2%
Operating Income	4,907,774	6,620,253	5,158,410	-22.1%
Operating Margin	11.1%	13.9%	10.4%	-3.5 pp
EBITDA	5,707,369	6,474,141	6,332,165	-2.2%
EBITDA Margin	12.9%	13.6%	12.7%	-0.9 pp
Controlling Participation in Net Income	3,090,017	4,466,305	3,957,856	-11.4%
Net Margin	7.0%	9.4%	8.0%	-1.4 pp
Total Assets	41,364,031	45,185,043	47,887,914	6.0%
Total Liabilities	11,968,900	14,233,518	15,368,164	8.0%
Consolidated Shareholders' Equity	29,395,131	30,951,525	32,519,750	5.1%
Capital Expenditures (CapEx)	2,255,645	2,904,643	1,583,697	-45.5%
Total Debt	0	0	0	N/A
Net Debt	-4,855,573	-1,714,356	-1,924,601	12.3%
Total Sales Area (Sqm)	1,114,916	1,186,230	1,207,060	6.4%
Credit Portfolio	10,824,130	12,008,846	12,894,303	10.9%
% Non-Performing Loans	3.2%	2.8%	4.3%	1.5 pp
Credit Cards Issued	3,461,926	3,672,865	3,941,514	6.1%
Net Debt/EBITDA	-0.85	-0.26	-0.30	14.8%
CapEx/Sales	5.1%	6.1%	3.2%	-2.9 pp
Compounded Average Shares Outstanding (thousand)	2,320,677	2,304,320	2,296,548	-0.3%
Earnings Per Share**	1.33	1.94	1.72	-11.1%
Closing Year Stock Price***	26.36	21.69	19.60	-9.6%

* Except outstanding shares, earnings per share and number of credit cards.

** Controlling Participation in Net Income divided by the compounded average number of outstanding shares.

*** Started quoting in the MSE on February 8th, 2013.

pp: Variation in percentage points.

EBITDA: Income before income taxes plus depreciation and amortization, interest expense, impairment of machinery and equipment and exploration expenses, and effect on valuation of derivative financial instruments, less interest income, net foreign exchange gain, surplus from appraisals of shopping centers and equity in earnings of associated companies and joint ventures. Review EBITDA conciliation in Note 26 of the Financial Statements.

Grupo Sanborns has wide geographic coverage with a focus mainly on Mexico. Through our network of stores we have a presence in 56 cities throughout the country.

FORMATS AND BRANDS

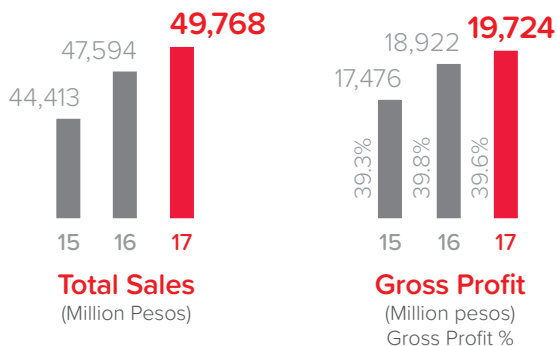


- Fashionware, large and small appliances, furniture, home improvement and electronics.

95
stores

51%
sales 2017

827,341
sales area (Sqm)



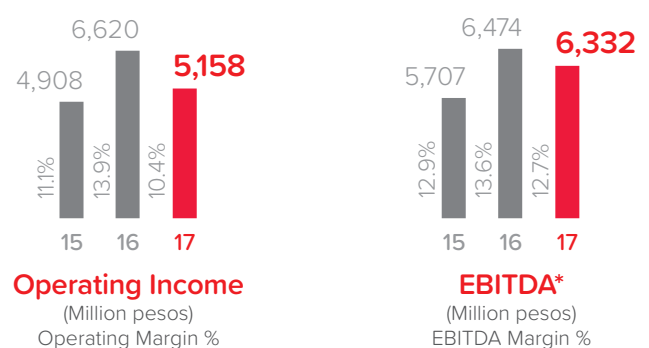
Sanborns

- Books, magazines, health and beauty, pharmacy, electronics, toys, music, videos, jewelry, photography, cellular phones, candy and gifts.
- Bar and restaurant service.

174
stores

25%
sales 2017

268,583
sales area (Sqm)



* For the EBITDA calculation, in 2015, \$151 million from other income were not taken into account, which included \$178 million resulting from investment property assessment and \$27 million for real property wear and tear. For 2016, \$1,263 million for other income were not considered, where \$1,141 million are for net income and reserves on the acquisition of 14.0% of Inmuebles SROM, S.A. de C.V. and \$122 million are for investment property assessment, among other entries. For 2017, Other Income for \$85 million resulting from investment property assessment and real property wear and tear, were not taken into consideration. See EBITDA reconciliation in Note 26 to the Financial Statements.



56
cities throughout the country
have presence with
our network of stores.



- Apple products and accessories, music, videos, movies and video games

117
stores

17%
sales 2017

39,458
sales area (Sqm)



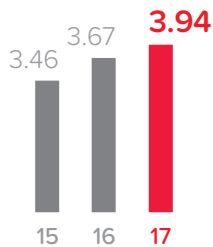
- Perfumery and Cosmetics.
- Accessible traditional Mexican food.
- High-quality clothing and accessories.
- Shopping malls.

57*
stores

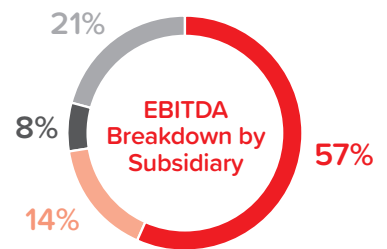
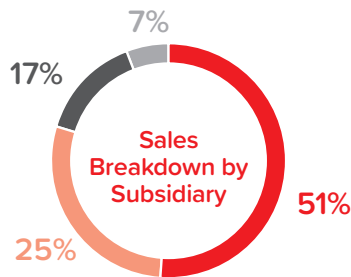
7%
sales 2017

71,678
sales area (Sqm)

* Includes 3 Boutiques



Number of Grupo Sanborns' private label cards (Million cards)



● Sears ● Sanborns ● Promusa ● Other

MESSAGE TO SHAREHOLDERS

During 2017 the global financial environment had a less volatile behavior than the previous year, although with some moments of uncertainty such as the renegotiation of the North American Free Trade Agreement, inflation and interest rates in the United States and Mexico.



Economic Outlook 2017

During 2017, although with some episodes of uncertainty, such as the renegotiation of the North America Free Trade Agreement, inflation and interest rates in the United States of America and in Mexico, the world financial environment had a less volatile behavior than during the preceding year.

U.S. economy grew by 2.3% during 2017, triggered by a 6.7% increase in consumption of durable goods, due to the expansion of wages and the low unemployment level, as well as to an increase in private investment of 3.2%. The Federal Reserve continued stabilizing its monetary policies, increasing its rate by 75 base points during 2017, closing the reference rate at 1.50%, forecasting some pressure on inflation by the strength of the U.S. internal economy and the tax reform.

In Mexico, Gross Domestic Product growth was at 2.0%, slightly lower than 2016. Primary activities and services were able to counteract marginal decrease of industrial activities, resulting mainly from a lower oil production. A 3.8% growth of formal employment and 7.5% in remittances in Mexican peso terms, favored growth of domestic consumption by over 3%. Inflation was at 6.8% throughout the year, due to increased oil and gas prices, as well as food-stuffs during the year.

The Mexican peso revalued against the U.S. dollar by 5.2% in 2017, closing at an exchange rate of \$19.70, with a maximum parity of \$22.00 at the beginning of said year.



4.6%
growth in net
consolidated sales

The commercial deficit decreased as a result of an impulse in exports to the United States, which increased by 8.1% and were able to compensate an increase in oil deficit, which reached U.S. \$18,402 million in 2017. In turn, the Banco de México continued its restrictive monetary policies to control inflation, increasing five times the reference rate during 2017, going from 5.75% to 7.25%.

The manufacturing platform, fundamental for our exports, expected investments for the coming years in the energy and infrastructure sectors, and the expectation of a reasonable renegotiation of the NAFTA, strengthen the country in the face of future domestic and external challenges, but all of this might experience changes in view of the uncertainty of the political moment.

Grupo Sanborns

Sales increased by 4.6% thanks to the product mix for all formats. We continued with the credit strategy and the development of proprietary brands at Sears, and we began the integrated stores and space efficiency improvement at Sanborns.

2017 was a year of challenges, in particular during the last quarter of the year due to the damages resulting from the Mexico City earthquakes, considering that over 40% of our stores are located within the Metropolitan area. The first days, 28 stores were kept closed during their inspection; all of them reopened without having experienced damages. However, serious damages at the Galerías Coapa shopping mall gave rise to the permanent closure of the Sanborns and Sears stores at that mall, the latter being the fourth most important store nation-wide.

An increase in consolidated net sales was 4.6%, reflecting the product mix and a good performance during the first nine months of the year. Newly-remodeled stores at Sears Oaxaca and Angelópolis contributed positively, as well as the opening of new stores at Portal San Ángel and Querétaro La Victoria. We also observed increased sales during the entire year at Promotora Musical and in other formats.

At Sears, we are continuing to work in the creation of proprietary brands and in strengthening our distribution and logistics capabilities. The Sears Distribution Center was not operating at full capacity during the third quarter of the year, after the earthquake. It was necessary to focus all our efforts on the restoration of the flow of merchandise, which was resolved at the end of the year.

In credit, direct discounts were expanded, being more conservative for the interest-free month promotions, to counteract the increase in uncollectible accounts. With these strategies, we are seeking to improve the collection indicators.

With respect to Sanborns, the trend for recorded music and video sales continued downwards, while the book supply experienced the consolidation of some editing firms. Therefore, during the year our goal was to maintain profitability through space efficiency improvement, strengthening the higher value-added categories and sales. In addition, we began opening formats adapted from Sanborns to more integrated ones at Sears, in an attempt to supplement merchandise and offer restaurant services.

Throughout the year in Sears we continued working on the construction of our own brands.



At Promotora Musical, six iShops were opened during the year, in addition to remodeling another six stores for a renewed image. At MixUp, we continued with the strategy of improving product mix with the introduction of more accessories in the technology and entertainment categories.

On the other hand, our e-commerce strategies have had a continuing evolution program in the webpages and apps for each format, supplemented by the development of the marketplace at ClaroShop, thereby increasing product volume and on-line purchase services and with the possibility of “click-and-collect” by picking up or returning products at the stores.

Finally, the Company continues to be financially strong, maintaining a solid capital structure, healthy debt profile and adequate liquidity that will enable us to continue with our strategies.

Regarding sustainability issues, the Fundación Carlos Slim carries out over 90 programs and projects in 13 different areas, including: education, employment, health, sports, culture and the environment, thus reaching over 45 million beneficiaries in Mexico and other Latin American countries. In 2017, particularly relevant for the Foundation was the “México Unido” [“Mexico United”] initiative for repairing the damages caused by the September earthquakes. During the emergency stage, the Group as a whole, and with the outstanding work by its businesses and its volunteers, we gave an immediate response to the basic needs of the affected

population, by supplying basic staples, camping tents, blankets and mats, water purifiers and telecommunications.

For the reconstruction and transformation stage, we launched an invitation and call so that for every Mexican peso received, the Foundation would contribute five more. We had the response of over 217 thousand donors, who deposited their trust in us, with which donations were received for \$412.4 million to which \$2,061.8 million were added by the Foundation. The proceeds were used in reconstruction of houses, health and education infrastructure, and the rescue of the cultural heritage. As established since the beginning, we have accounted month by month, with full transparency, on the acts and the application of the resources in the Foundation webpage.

Due to all of the foregoing, we are looking at 2018 optimistically. We are aware that this will bring about major challenges in Mexico, both economically and politically, but we feel motivated to continue improving on the results obtained for 2017. I am again expressing my recognition to our clients and suppliers for their support, as well as all the employees in our Group, thanking for their efforts, commitment and dedication.

Sincerely yours,

Lic. Carlos Slim Domit

Chairman of the Board of Directors of Grupo Sanborns, S.A.B. de C.V.

The ecommerce has had a program of continuous evolution in the pages and applications of each format.



Six iShop stores were opened during the year, and another six stores were remodeled to leave them with a new image.

MANAGEMENTS' DISCUSSION AND ANALYSIS

During 2017, Grupo Sanborns sales increased 4.6% for a total of \$49,768 million, which meant \$2,174 million more than the previous year. Sears, Sanborns, Promusa and other formats contributed with 51%, 25%, 17% and 7% of sales, respectively. Same stores sales increased by 2.3% during the year in a consolidated basis.



As regards the credit business, over 268 thousand proprietary cards were issued during the year, an increase of 7.3%, amounting to 3.94 million plastics of all formats. Sears card penetration was maintained at 59% in the total payment mix. The credit portfolio evidenced a growth of 4.2% reaching \$12,894 million. Credit income increased 13.4%, for a total of \$3,609 million. The overdue accounts index in excess of 90 days is below the market and the competition, closing the year at 4.3%.

Operating income for the year decreased by 22.1%, to \$5,158 million. This was due mainly for recording Other Income in 2016 por \$1,263 million, where \$1,141 million come from net income and reserves for the acquisition of 14.0% of Inmuebles SROM, S.A. de C.V. and \$122 million resulting from investment property assessment, among other entries. Without considering these extraordinary items, operating profit would decrease by 5.9% in 2017.

For the annual EBITDA computation, Other Income for \$85 million in 2017 or \$1,263 million in 2016, mentioned in the preceding paragraph, were not considered. Therefore, EBITDA for 2017 was \$6,332 million with a 12.7% margin.

As regards the financial results, they were positive for \$58 million and slightly less by 1.5% as regards the overall financing results recorded during the preceding year.



13.4%

increase in credit
income, totaling
\$3,609 million pesos.

The holding company's net income for Grupo Sanborns decreased by 11.4% in 2017, for a total of \$3,958 million as compared to \$4,466 million in 2016, which includes the above-mentioned extraordinary entry.

During 2017, the expansion plan included the opening of two Sears stores, one Sanborns store, and six iShops. The number of remodeling projects was one Sanborns store and six iShops. The capital investments for the Group totaled \$ 1,584 million. When considering all formats for the Group, we closed the year operating 443 units, with which the business area reached one million 207 thousand square meters.

Grupo Sanborns had no Debt as at December 31, 2017, while Cash amounted to \$ 1,925 million, as compared to \$1,714 at the close of December 2016. This \$210 million increase was due, among others, to an increase in working capital and suppliers.

Sincerely yours,

Lic. Patrick Slim Domit
Chief Executive Officer Grupo Sanborns S.A.B. de C.V.



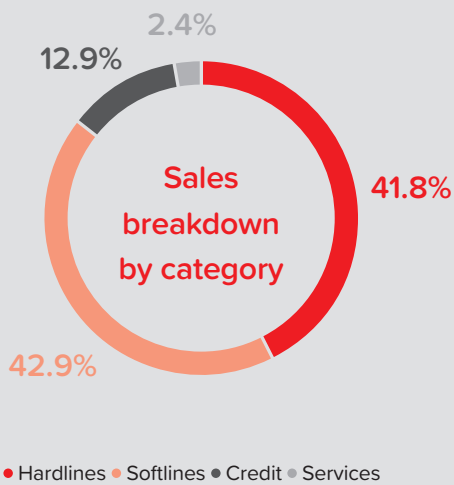
SEARS
Ne entiende





The Sears product line in Mexico ranges from branded clothing at affordable prices, to state-of-the-art electronic items and household items.

Sears opened two stores: Portal San Angel and Querétaro La Victoria.



During 2017, Sears recorded sales of \$ 25,416 million thus contributing with 51% of total sales and 57% for Grupo Sanborns consolidated EBITDA. The major events in the year were the opening of two stores: Portal San Ángel and Querétaro La Victoria, while simultaneously facing the temporary closures of certain units due to the Mexico City earthquake. This resulted in merchandise distribution breakdowns and the temporary closure of some stores, and the permanent closure of the Galerías Coapa store.

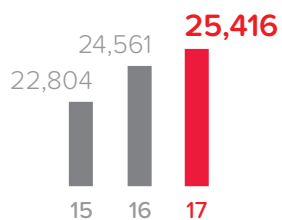
Sears maintained services, the focus on proprietary brands and goods with higher value-added, as well as the renovation of stores to offer a more modern image to consumers.

In terms of e-commerce sales, the number of items offered at the www.sears.com.mx portal increased, as well as the percentage of stores with on-line purchase and pick-up services at “click-and-collect” stores.

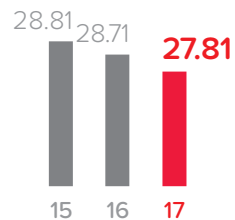
Sears is the second largest department store chain and during 2017, it reached 3.2 million proprietary credit cards, which places it as one of the major non-banking players in Mexico. At the end of the year, Sears had 95 department stores and three boutiques, for a total of 828,863 square meters of retail area.

57%

of the Group's EBITDA and sales of \$ 25,416 million pesos was the contribution of Sears in 2017.



Total Sales
(Million pesos)



Sales by compounded Sqm
(Thousand pesos)



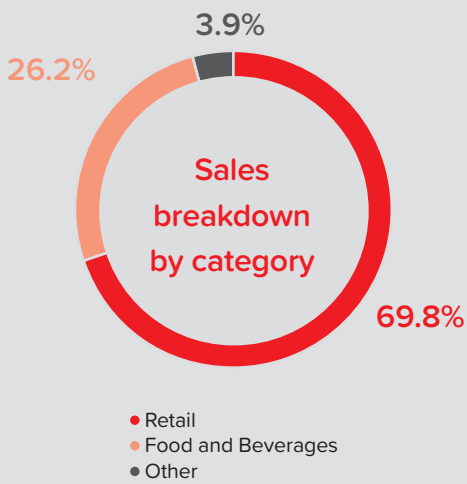
Sanborns





Sanborns represents a unique concept of convenience stores specialized in Mexico, with a wide variety of products. In addition, all stores have full service restaurant and bar.

This year we launched a new Sanborns store concept, more integrated within Sears.

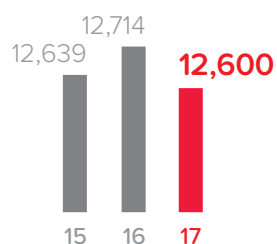


During 2017, Sanborns recorded sales for \$12,600 million, thus contributing 25% of total sales and 14% for Grupo Sanborns consolidated EBITDA. The most important activities at Sanborns during the year were focusing on the higher value categories and increasing the number of proprietary credit cards. This year, the Querétaro La Victoria store was opened, and the seven openings of the preceding year were consolidated, while simultaneously launching a new concept of integrated stores inside the Sears units, which seeks to take advantage of departmental store traffic and space efficiency improvement through a reduction in the lower profitability goods and rotation. At the end of the year, Sanborns had 174 stores and 268,583 square meters of retail area.

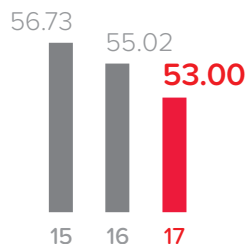
Sanborns is a unique and highly-successful retail sales concept in Mexico, being a sales leader in multiple product and service categories, such as: books, photo equipment, cellular phones and telephone accessories, perfumes and cosmetics. Furthermore, it is the second largest bar and restaurant chain in Mexico.

14%

of the Group's EBITDA and sales of \$12,600 million pesos was the contribution of Sanborns during the year.



Total Sales
(Million pesos)



Sales by compounded Sqm
(Thousand pesos)

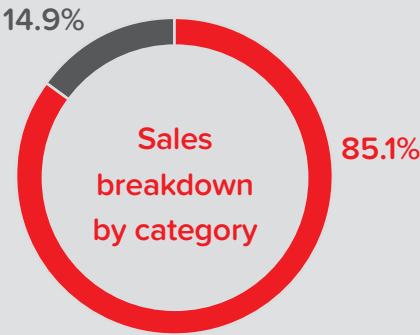
iShop



Through iShop and MixUp we offer Apple products and related accessories, a catalog of music titles, videos, movies, video games, audio equipment and other technology items.



We offer iPads, iPhones, iWatch, computers, software and various Apple accessories, as well as maintenance services.



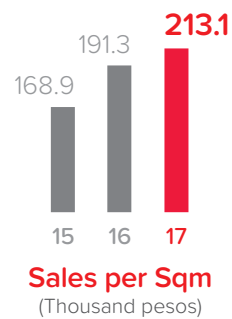
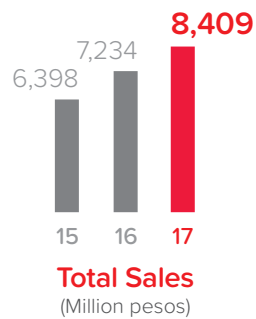
● iShop ● MixUp

MixUp is the largest music and video retailer in Mexico, while iShop is the largest store chain for Apple products and accessories in Mexico. Both formats are organized under Promotora Musical S.A. de C.V. (Promusa).

Promusa contributed with 17% of total sales and with 8% for Grupo Sanborns consolidated EBITDA. During 2017, iShop opened six new stores: Portal San Ángel, Manacar, Andamar Veracruz, Querétaro La Victoria, Fashion Mall Tuxtla and Paseo del Carmen, and also carried out a change of image of six stores. In turn, Mix-Up continued improving its sales mix to products with increased value-added, substituting records for technology items and toys. Taking into account both formats, at the end of the year, we had 117 units and 39,458 square meters of retail area.

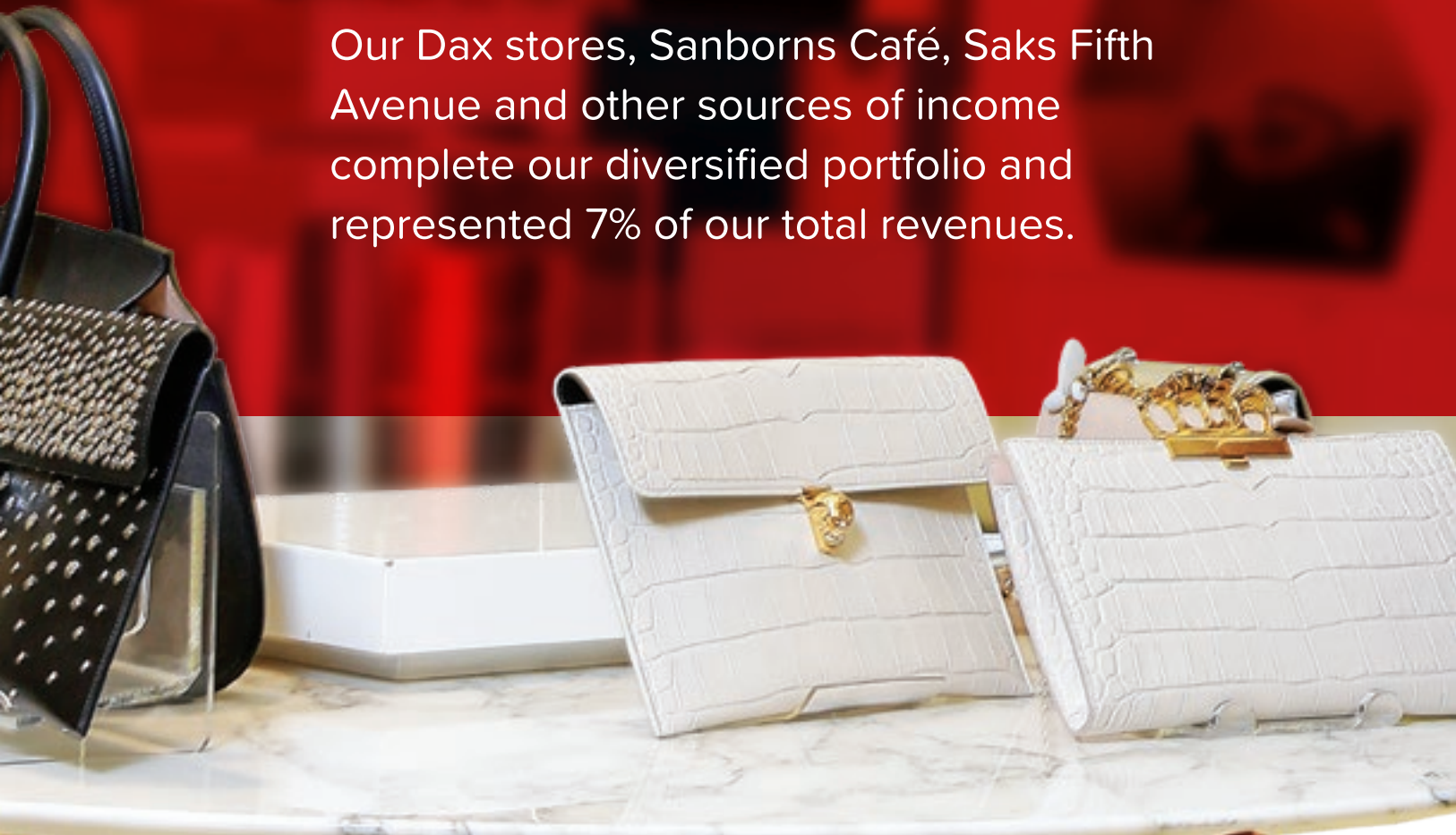
8%

of the Group's EBITDA and sales of \$8,409 million pesos was the contribution of Sanborns in 2017.





Our Dax stores, Sanborns Café, Saks Fifth Avenue and other sources of income complete our diversified portfolio and represented 7% of our total revenues.





We have 25 Dax stores located in northeastern Mexico, 23 Sanborns Café restaurants and 2 Saks Fifth Avenue stores, located in Mexico City.



To supplement the diversified portfolio of the Group, there are other formats, such as:

**Two shopping centers:
Plaza Loreto and
Plaza Inbursa.**

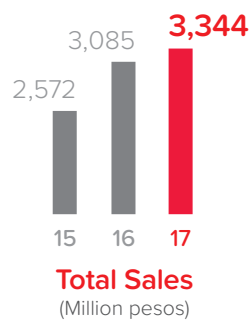
- Sanborns Café, with 23 stores with a presence in five states of Mexico
- Dax, regional retail chain, with 25 stores offering cosmetics and perfumes, mainly
- Sax Fifth Avenue, two de-luxe department stores, offering international fashion designer products,
- Two shopping malls, Plaza Loreto and Plaza Inbursa
- One Sears store and three Sanborns stores in Central America
- ClaroShop e-commerce portal
- Three Boutiques

At the close of the year, Other Formats totaled 57 stores and 71,678 square meters of retail area.



71,678

square meters of commercial area, totaling 57 stores at the end of the year.



SUSTAINABILITY

In 2017, 34,499 people benefited from the different programs, including employees of Grupo Sanborns and their families.



Social Performance

We work through the Carlos Slim Foundation which, with a high sense of social responsibility, efficiency and opportunity, carries out over 90 programs and projects in 13 different areas. Among others: education, employment, health, sports, culture and the environment, thus reaching over 45 million beneficiaries in Mexico and other Latin American countries. In 2017, particularly relevant for the Foundation was the initiative “México Unido” [“Mexico United”] for repairing the damages caused by the September earthquakes. During the emergency stage, the Group as a whole, with the outstanding work of its businesses and volunteers, responded immediately to the basic needs of thousands of affected persons, by supplying basic staples, camping tents, blankets and mats, water purifiers and telecommunications.

For the reconstruction and transformation stage, an invitation and call were launched so that for every Mexican peso received, the Foundation would contribute five more. We received a response from over 217 thousand donors who deposited their trust in us, with donations amounting to \$412.4 million, to which \$2,061.8 million were added by the Foundation. The resources were destined to housing reconstruction, health and education infrastructure, and the rescue of our cultural heritage. As established from the beginning, we have accounted month by month, with full transparency, on the acts and the application of the resources in the Foundation webpage. For further information, refer to: <http://www.fundacioncarlosslim.org/>

In addition to the Foundation activities, the Grupo Sanborns subsidiaries continued investing in education, health, community infrastructure and development, through the following initiatives:

- Participation in annual campaigns for the prevention and control of medical conditions, in cooperation with the Instituto Carlos Slim de la Salud [Carlos Slim Health Institute],
- Real property rescue program at Sanborns,
- Program for hiring individuals with different capabilities in Sanborns and Sears, through the Mexican Federation of Organizations on Behalf of Disabled Individuals [Confederación Mexicana de Organizaciones a Favor de la Persona con Discapacidad (CONFE being the Spanish acronym)], the Multiple Service Center [Centro de Atención Múltiple (CAM being the Spanish acronym), the YMCA and the DIF,
- Free courses at the “Train for the Job” [“Capacítate para el Empleo”] platform at the Fundación Carlos Slim, with access by the general public to the Job Exchange, which includes recruiting processes for the Grupo Carso companies.

Environmental Performance

Please refer to the Sustainability Policies, GRI4 indicators and general environmental indicators for: energy, water, biodiversity, emis-



sions, effluents and residues, awards, certifications, recognitions and volunteer programs at the Carso Sustentable report, available at: <http://www.gsanborns.com.mx/desempeno-ambiental.html>

During 2017, Grupo Sanborns continued complying with the environmental standards applicable to it, mostly on matters of control and registration of residual waters, emissions into the atmosphere, as well as management and final disposal of solid residues and hazardous materials through companies authorized by the respective environmental or health authorities.

Labor, Health and Safety Performance

Grupo Sanborns is a source of employment for over 46 thousand permanent and temporary jobs in Mexico and some Central American countries. During 2017, employment decreased by 6.4%, as compared to the preceding year. Within the Benefit Programs established in Grupo Sanborns, there are:

- Digital scholarships and other grants for the children of employees and their direct family members,
- Home Office programs, flexible working hours for parents, financial support for funeral expenses and paid leaves of absence,
- Health prevention campaigns, with the cooperation of the Mexican Social Security Institute (IMSS being the Spanish acronym) and the Ministry of Health (SSA being the Spanish acronym).
- Civil Protection Programs with training for volunteer brigades,
- Personal development programs through ASUME, CRESE and the Social Well-Being Program,
- Courses through the “Capacítate para el Empleo” [“Train for the Job”] platform at the Fundación Carlos Slim for basic training of the operational personnel,
- Education and Training Programs on sales and management skills.

Taking into account the Mexico City Training Center and 96 training rooms located at the Sears operational units, as well as 49 training rooms at the Sanborns corporate offices, the two Training Centers, the Viaducto Plant and the foreign locations, including Panama and El Salvador, during the year a total of 43,082 courses took place, with 96,876 graduates, which includes technical, operational, educational, developmental and safety and health training. In addition, a major Civil Protection program was established in Sanborns, with the participation of 4,223 employees.

At Sears, personnel were trained and educated for the two new stores: San Angel and Querétaro La Victoria, as well as for the Perisur expansion, which represented the generation of 502 direct jobs.

As a result of the September 2017 earthquakes, the Sears Villa Coapa, Insurgentes, Buenavista and Centro Histórico stores were closed. All the employees affected by the closure of their units were relocated temporarily or permanently to fill vacancies in other units. 151 Sears and Saks Fifth Avenue were affected in various ways in their homes and the employees in need in that respect, were supported by the Carlos Slim Foundation.

308 Carso digital scholarships [Becas Digitales Carso] were granted to the children of employees and 207 Telmex scholarships were granted to employees or their children during the year.

The ASUME Program (Spanish acronym for Asociación de la Superación por México) comprised a scope of 173 groups, 2,246 employees who graduated, plus 160 employees enabled as instructors.

Continuity was given to the Human Quality and Social Liability Management System in Corporations [Sistema de Gestión de Calidad Humana and Responsabilidad Social en la Empresa (CRESE being the Spanish acronym) certifying six new units and re-certifying 22 units at Sears (stores, credit, technical service and logistics centers) for a total of 99 certified units, i.e., a 52% increase as compared to the preceding year. At Sanborns, we were able to recertify the Viaducto Commissary and, for the first time, the Tlalnepantla Commissary and the Chocolate Factory, to be distinguished as socially responsible corporations.

In the Social Well-Being Program, three fundamental aspects were worked on: Education, Health, Culture and Recreation. In 2017, 34,499 individuals were benefitted by the various programs, including Grupo Sanborns employees and their families, which represented 1,118 individuals more as compared to the previous year.

We continued working on the “Capacítate para el Empleo” [Train for the Job] platform at the Carlos Slim Foundation, using the same for basic training for operational and middle management personnel. Throughout the year, 550 Grupo Sanborns employees were trained for various trades and 3,160 new employees were hired for Sears, who were trained at said platform.

For further information and details, please refer the sustainability activity section at the Grupo Sanborns S.A.B. de C.V. corporate webpage at: <http://www.gsanborns.com.mx/responsabilidad-social.html>

BOARD OF DIRECTORS

Proprietary Directors	Position*	Years as Director**	Type of Director ***
Carlos Slim Domit	COB - Grupo Sanborns COB - Grupo Carso COB - América Móvil COB - Teléfonos de México COB - Promotora Musical	Five	Patrimonial Related
Carlos Slim Helú	COB - Fundación Carlos Slim COB - Fundación Telmex COB - Carso Infraestructura y Construcción	Five	Patrimonial Related
Patrick Slim Domit	CEO - Grupo Sanborns Vice-Chairman - Grupo Carso Vice-Chairman - América Móvil Commercial Director of Massive Market - Teléfonos de México COB - Grupo Telvista COB - Sears Operadora México	Five	Patrimonial Related
Johanna Monique Slim Domit	Head of the Early Childhood Education Program at the Carlos Slim Foundation	Five	Patrimonial Related
Isac Mark Massry Nakash	CEO - Promotora Musical Alternate Board Member - Sears Operadora México	Five	Related
Juan Antonio Pérez Simón	COB - Sanborn Hermanos Vice-Chairman - Teléfonos de México	Five	Independent
José Kuri Harfush	COB - Janel Board Member - Sanborn Hermanos Board Member - Sears Operadora México	Five	Independent
Antonio Cosío Pando	General Manager - Cia. Industrial de Tepeji del Río Board Member - Sears Operadora México	Five	Independent
Pablo Roberto González Guajardo	CEO - Kimberly Clark de México Board Member - América Móvil and Grupo Lala Founding Partner of Mexicanos Primero and of México ¿cómo vamos?, COB of the Education Commission of the Entrepreneurial Coordinator Council COB of the UNETE Mexico City and State of Mexico	Four	Independent
Juan Rodríguez Torres	Advisor	Five	Independent
Ángel Eduardo Peralta Rosado	Board Member - Sanborn Hermanos Alternate Board Member - Sears Operadora México	Five	Independent
Claudio X. González Laporte	COB of Kimberly-Clark de México, S.A.B. de C.V. Board Member - Fondo México, Grupo Alfa, Grupo México, Grupo Carso, Sanborn Hermanos, The Salzburg Global Seminar, and The Baker Institute for Public Policy Advisor of Capital Group Emeritus Board Member of General Electric, Co.	Two	Independent
Santiago Cosío Pando	Board Member - Sanborn Hermanos, Sears Operadora México, Inbursa Corporate COB of Grupo Pando COB of MEXFAM	Two	Independent
Ma. José Pérez Simón Carrera	Board Member - Sanborn Hermanos CEO - Foundation "Juntos Actuando por la Superación"	Two	
Clemente Serna Alvear	Board Member - Sanborn Hermanos, Tecnológico de Monterrey Zona Metropolitana, and Mexico City Club of Industrials, COB "Amigos de la Catedral Metropolitana de México, A.C." Association	Two	Independent
Alternate Board Members			
José Manuel Campo y Menéndez	Chief Operations Officer - Sanborn Hermanos Alternate Board Member - Sears Operadora México	Five	Related
Edgar Smolensky Kirchner	Commercial Director and Purchasing Director Fashion Division - Sears Operadora México	Five	Related
Secretary			
Arturo Martínez Bengoa			

* Based on information from the board members.

** Seniority as board member was considered since 2013, year when the shares of Grupo Sanborns, S.A.B de C.V. were listed in the Mexican Stock Exchange.

*** Based on information from the board members.

Independent directors in accordance with the definition of the Mexican Securities Market Law.

COB: Chairman of the Board. CEO: Chief Executive Officer

Audit and Corporate Practices Committee

GRUPO SANBORNS, S.A.B. DE C.V.

To the Board of Directors:

In my capacity as Chairman of the Grupo Sanborns, S.A.B. de C.V. Audit and Corporate Practices Committee (the "Committee"), I am pleased to submit the following annual report of activities for the 2017 fiscal period.

Functions regarding Corporate Practices, Evaluation and Compensation

The Chief Executive Officer of Grupo Sanborns, S.A.B. de C.V., (the "Corporation") and the relevant executives of the entities controlled thereby, satisfactorily complied with the goals entrusted to them and their responsibilities.

On April 26, 2017 Grupo Sanborns, S.A.B. de C.V. decreed dividends for \$2,022,277,906.00, 50% of which was paid on June 20, 2017 and the balance on December 20, 2017.

Dividends were also decreed for the subsidiaries Sanborn Hermanos, S.A. for \$300.0 million and Sears Operadora México, S.A. de C.V., for \$600.0 million.

Purchase and sales transactions with related parties were approved, which were submitted for consideration by the Committee for a total of: income transactions for \$561.5 million, purchase transactions for \$243.0 million and expense and other transactions for \$1,864.7 million.

The main transactions were with Radiomóvil Dipsa, S.A. de C.V. and América Móvil, S.A.B. de C.V., for the purchase of cellular equipment, rate plans and memory cards for telephones and other items, by the Corporation and the subsidiaries thereof; Teléfonos de México, S.A.B. de C.V., for call center services, telephone installation services and sales of telephony items, cafeteria services; Seguros Inbursa, S.A. for car fleet insurance and real property insurance for the corporation and subsidiaries thereof; commissions, cafeteria services to the subsidiaries of Inmuebles Borgru, S.A. de C.V. and Inmuebles SROM, S.A. de C.V., on real property leases; Banco Inbursa, S.A. for leases, commissions, food sales as well as cafeteria services, offered to all the other companies.

All transactions with related parties took place at market values and were reviewed by Galaz, Yamazaki, Ruiz Urquiza, S.C., and a summary thereof has been included in a note to the audited Financial Statements of Grupo Sanborns, S.A.B. de C.V. and subsidiaries as at December 31, 2017.

The Grupo Sanborns, S.A. B. de C.V. Chief Executive Officer does not receive any compensation for the performance of his activities

as such. The Corporation has no employees and as regards overall compensation for the relevant executives of the companies held by the Corporation, we have assured ourselves of the full performance of the policies approved by the Board of Directors in that respect.

The Board of Directors of the Corporation did not grant any dispensation whatsoever for any board member, relevant executive or individual empowered to act to take advantage of any business opportunities for himself or in favor of third parties, pertaining to the Corporation or to the entities controlled thereby or having significant influence therein. In turn, the Committee did not grant any dispensation for any transactions referred to in paragraph c), section III, article 28 of the Stock Exchange Law.

Audit Functions

The internal control system and internal audit of Grupo Sanborns, S.A.B. de C.V., and of the entities controlled thereby, is satisfactory and complies with the guidelines approved by the Board of Directors, as evidenced by the information provided to the Committee by the management of the Corporation and the independent audit report.

We had no knowledge of any relevant non-performance as regards the guidelines and policies for the operation and accounting records of the Corporation or of the entities controlled thereby and, consequently, no preventative or corrective measures were implemented in connection therewith.

The performance by the accounting firm of Galaz, Yamazaki, Ruiz Urquiza, S.C., which firm carried out the audit to the Financial Statements of Grupo Sanborns, S.A.B. de C.V. and subsidiaries at December 31, 2017, and the independent auditor in charge of said audit, have been satisfactory and the goals fixed at the time they were retained, were duly achieved. Further, and in accordance with the information provided by said firm to the management of the Corporation, their fees for performing the independent audit do not represent over 10% of their total earnings.

As a result of the review to the Financial Statements of Grupo Sanborns, S.A.B. de C.V. and subsidiaries thereof at December 31, 2017, it was determined that there are no major errors due to fraud, and the major adjustments proposed resulted from surpluses and insufficiencies in the reserves.

In accordance with the information provided by the management of the Corporation and the meetings we held with the independent and internal auditors, without the presence of any officers of the Corporation, and to the best of our knowledge and belief, there

were no relevant remarks made by the stockholders, board members, relevant executives and, in general, any third party, in connection with the accounting, internal controls and issues regarding the internal or independent audit, nor any denunciations made by said individuals on irregular acts in the administration of the Corporation.

During the period reported, we have assured ourselves that due compliance was given to the resolutions adopted by the stockholders' meetings and by the Board of Directors of the Corporation. Furthermore, and in accordance with the information provided by the management of the Corporation, we have verified that it has the controls in place that allow it to determine compliance with the applicable provisions on stock exchange matters and which compliance is reviewed by the legal division at least once a year, without there being any remarks in that respect or any adverse change in the legal position thereof.

In connection with the financial information that the Corporation prepares and submits to the Mexican Stock Exchange [Bolsa Mexicana de Valores, S.A.B. de C.V.] and to the National Banking and Securities Commission [Comisión Nacional Bancaria y de Valores], we have made certain that said information is prepared under the same principles, criteria and accounting practices as those under which the annual information is to be prepared.

Finance and Planning Functions

During the 2017 fiscal period, the Corporation and some of the entities controlled thereby made major investments congruently with the medium and long-term strategic plan of the Corporation. Also, we periodically evaluate the strategic position of the corporation to be in line with said plan and in accordance with the budget for the 2017 fiscal period, together with the financial forecasts taken into account for the preparation thereof, which included the major

investments and financial transactions of the Corporation, which we have considered viable and congruent with the investment and financial policies and the strategic vision thereof.

The labor, civil, business and administrative contingencies at December 31, 2017, showed a behavior similar to that of preceding fiscal periods, so that the resolution of said claims shall not affect the financial position and economic stability of the companies involved.

During the year 2017, the repurchase of own shares of the Corporation took place, which amounted to \$424,063 thousand.

Income was recorded for the revaluation of investment property (Shopping Malls) in the 2017 year, for \$115,955 thousand.

The reserves recorded in accrued expenses must comply with the criteria of a liability, in accordance with IFRS, so that only reserves for acquired commitments or expenses disbursed may be recorded.

As regards matters in connection with fraud, non-performance of laws, regulations and undue influence in the direction of the audit, the pertinent investigations were made with the management, and various procedures were applied, without any of this representing any non-performance.

For the preparation of this report, the Audit and Corporate Practices Committee based itself on the information provided to it by the Chief Executive Officer of the Corporation, the relevant executives of the entities controlled thereby and by the independent auditor.

José Kuri Harfush
Chairman

Juan Antonio Pérez Simón
Antonio Cosío Pando



INFORMATION FOR INVESTORS

Mexican Stock Exchange

The series B of Grupo Sanborns S.A.B. de C.V. is listed in the Mexican Stock Exchange under the ticker symbol "GSANBOR".

American Depositary Receipts (ADR's)

Starting on January 27, 2014 Grupo Sanborns S.A.B. de C.V. established an ADR program level 1 with Bank of New York Mellon, through which American investors can trade securities in the Over the Counter Market (OTC) under the ticker symbol GSAOY at a rate of 5 ordinary shares to 1 ADR.

Cusip Number: 40053M103

Depository Bank:

<https://www.adrbnymellon.com/>

Contact:

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Internet Address:

To obtain more information about Grupo Sanborns and its sustainability activities please visit our corporate webpage at:
www.gsanborns.com.mx and <http://fundacioncarlosslim.org/>

Corporate Headquarters:

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Presa Falcón Building, 7th Floor
Ampliación Granada
Mexico City, 11529



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